

IRS News Release

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National Taxpayer Advocate Releases Report to Congress; Identifies Priority Challenges and Issues for Upcoming Year

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WASHINGTON — National Taxpayer Advocate Nina E. Olson today delivered a report to Congress that identifies the priority issues the Office of the Taxpayer Advocate will address in the coming fiscal year. Among the key areas of focus will be improving IRS procedures to protect victims of tax-related identity theft and expanding outreach and education to individuals who have lost their homes to foreclosure concerning the “cancellation of debt” tax consequences they face.

The report notes that July 22, 2008, will mark the 10th anniversary of the enactment of the IRS Restructuring and Reform Act of 1998, which created the Office of the Taxpayer Advocate in its current form and added significant taxpayer rights protections. Olson praised the legislation, saying: “From my perspective as the National Taxpayer Advocate, I see daily how much taxpayers benefit from RRA 98.”

The Advocate’s report, which is required by law, sets out the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year and provides substantive analysis of issues as well as statistical information. Among the areas the report identifies for particular emphasis in FY 2009 are the following:

1. Tax-Related Identity Theft. The National Taxpayer Advocate’s 2007 Annual Report to Congress identified tax-related identity theft as one of the most serious problems facing taxpayers. The report stated that the IRS does not have adequate procedures in place to assist victims of identity theft and does not have adequate systems in place to quantify the number of tax-related incidents of identity theft that occur. The report made eight recommendations, including the creation of a centralized unit to handle identity theft cases and the development of a centralized set of procedures that cuts across IRS functions. The IRS has taken a number of steps to improve its procedures; notably, it has developed a Service-wide identity theft indicator and is studying the creation of a centralized unit to assist identity theft victims. During FY 2009, the Office of the Taxpayer Advocate will work with the IRS to improve its procedures in this area.

2. Cancellation of Debt Income. When an individual or business borrows money and the debt is cancelled, the borrower generally must include the amount of the cancelled debt in gross income. This requirement generally affects borrowers who lose their homes to foreclosure or who default on car loans or credit card debts. Taxpayers may exclude the amount of a cancelled debt from gross income under certain

circumstances, but to do so, they must take the affirmative act of filing Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment)*, with their tax returns. Very few taxpayers file Form 982, and the Office of the Taxpayer Advocate has focused and will continue to focus on increasing public awareness of the rules and exceptions. It has worked with the IRS to simplify the instructions for Form 982 and to develop an IRS publication that covers the tax aspects of cancellation of debt issues comprehensively, produced podcasts (known as “TAScasts”) that are available online, and provided specialized training for Low Income Taxpayer Clinic (LITC) practitioners. The Office of the Taxpayer Advocate will continue to work with the IRS to simplify reporting procedures and will continue to conduct outreach to affected taxpayers and practitioners in FY 2009.

3. IRS Collection Practices. The National Taxpayer Advocate’s 2006 Annual Report to Congress raised a number of concerns about IRS collection practices. Joint working groups have been established to work on five issues – levies, allowable living expense standards, installment agreements, offers in compromise, and early intervention techniques. However, the Office of the Taxpayer Advocate remains concerned about additional collection issues, including resorting to seizures before all viable collection alternatives have been exhausted, under-utilization of partial-pay installment agreements, and excessive delays in collection that exacerbate taxpayer delinquency problems because of the accumulation of interest and penalties. The IRS is working with the Office of the Taxpayer Advocate to address these concerns, and the collaboration will continue in FY 2009.

Other areas of emphasis for FY 2009 identified in the report include monitoring the private debt collection program, working with the IRS to assist taxpayers with disproportionate tax liabilities due to alternative minimum tax resulting from the exercise of incentive stock options (known as “ISO/AMT” tax liabilities), working with the IRS to address problems and inefficiencies in the correspondence examination program, and updating a 2003 report on the standards and structure of federal ombudsmen offices.

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The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires these reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget. The first report is submitted mid-year and must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report, due on December 31 of each year, must identify at least 20 of the most serious problems encountered by taxpayers, discuss the 10 tax issues most frequently litigated in the courts during the prior year, and make administrative and legislative recommendations to resolve taxpayer problems.

About the Taxpayer Advocate Service

The Office of the Taxpayer Advocate (also known as the Taxpayer Advocate Service) is an independent organization within the IRS that assists taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Taxpayers may be eligible for assistance if:

- They are experiencing economic harm or significant cost (including fees for professional representation);
- They have experienced a delay of more than 30 days to resolve a tax issue; or
- They have not received a response or resolution to the problem by the date that was promised by the IRS.

The service is free, confidential, tailored to meet taxpayers' needs, and available for businesses as well as individuals. There is at least one local taxpayer advocate in each state, the District of Columbia and Puerto Rico.

Taxpayers can contact TAS by:

- Calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059;
- Calling or writing to their local taxpayer advocate, whose address and phone number is listed in the government listings of their local telephone directory and in Publication 1546, Taxpayer Advocate Service – Your Voice at the IRS;
- Filing Form 911, Request For Taxpayer Advocate Service Assistance (and Application for Taxpayer Assistance Order), with the Taxpayer Advocate Service; or
- Asking an IRS employee to complete Form 911 on their behalf.

To get a copy of Form 911 or learn more about the Taxpayer Advocate Service, go to www.irs.gov/advocate.

Links:

- [National Taxpayer Advocate's 2009 Objectives Report to Congress](#)
- [Taxpayer Advocate Service](#)